

Saving Mississippi Medicaid: ***Using the Health Care Trust Fund*** ***for Health Care Expenditures***

Why There is a \$268 Million FY05 Medicaid Deficit:

The Medicaid deficit was created by three factors:

the federal court suspension of the PLAD reform (\$90 million),

an accounting error from the previous administration (\$117 million), and

more recipients and higher-than-normal use of services (\$61 million).

3 Ways to Cover the \$268 Million Medicaid Deficit:

Raise Taxes

Raise tobacco tax by 50 cents (effective 4/1/05) = \$23 million
(The measure would be \$245 million short of covering the deficit by June 30, 2005.)

Raise sales tax from 7% to 11% with no local diversions = \$200 million
(This would make Mississippi's the highest sales tax in the nation.)

Income taxes? The state cannot retroactively raise or collect enough in income taxes by June 30, 2005, to fill the deficit.

Cut Medicaid

It is mathematically impossible to reduce Medicaid spending \$268 million by June 30, 2005, without totally shutting down the entire program. Federal law only allows states the ability to totally cut “optional services.” Mandatory services must meet a level to serve 90% of eligible beneficiaries. If Mississippi cut all optional services it would still not be enough to cover the deficit.

Use Health Care Trust Fund Money

Mississippi cannot tax or cut enough in just four months to save Medicaid for its beneficiaries – the math just doesn’t work. The state’s only option is to use Health Care Trust Fund dollars for Medicaid. Money is available in the Fund to cover the deficit and leave money available to accrue interest.

Mississippi putting some of its Health Care Trust Fund money into life-saving medication and treatments for Medicaid recipients is a good and appropriate health care expenditure.

The intent of the original tobacco litigation was to recoup state Medicaid expenses. (SEC. 43-13-401) *“Legislative Intent. It is declared by the Legislature that the funds received by the state from tobacco companies...**should be applied toward improving health and health care of the citizens and residents of the state...**”*

This is NOT one-time money for recurring expenses. This is one-time money for a one-time expense. This Medicaid deficit is a one-time event which occurred under special circumstances.

The Legislature is working on legislation right now to save millions in the program for the future. In addition, Medicaid's population has probably peaked. Medicaid will have 60,000 fewer recipients at the end of 2005 due to the pending PLAD transition to federal Medicare and the Administration's new redetermination project will remove any ineligible recipients (ex: If 5% are found ineligible, Medicaid would have 40,000 fewer recipients).

The federal General Accounting Office reports that most states have spent an average of only 17% of their tobacco trust fund money on health care-related expenditures. Mississippi would far exceed that amount and focus on health care expenditures.